

**GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
GLADWIN, MICHIGAN**

**ANNUAL FINANCIAL STATEMENTS
AUDITORS' REPORT**

**FOR THE YEAR ENDING
JUNE 30, 2008**

**GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
GLADWIN, MICHIGAN**

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Independent Auditors' Report

Board of Directors
Gladwin Housing Development Corporation
Section 8 Housing Program
Gladwin, Michigan

We have audited the accompanying statement of financial position of the Gladwin Housing Development Corporation Section 8 Housing Program, Project No. MI 28-8023-005, as of and for the year ended June 30, 2008 and the related Statement of Activities and Cash Flows for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Gladwin Housing Development Corporation Section 8 Housing Program, as of June 30, 2008, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008, on our consideration of the Gladwin Housing Development Corporation Section 8 Housing Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Gladwin Housing Development Corporation
Section 8 Housing Program
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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of Gladwin Housing Development Corporation Section 8 Housing Project. This supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Bernard C. Perry, P.C.", written in dark ink.

Midland, Michigan
December 15, 2008

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
STATEMENT OF FINANCIAL POSITION

June 30, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$ 24,791
Accounts receivable	525
Accounts receivable - Other	6,130
Inventory	941
Total current assets	<u>32,387</u>

Restricted deposits:

Tenant security deposits	15,134
Restricted deposits and funded reserves	434,209
Total restricted deposits	<u>449,343</u>

Other Assets:

Investment in Beaverton Manor	<u>2,345</u>
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Property and equipment:

Land	114,374
Building	1,899,268
Modernization	13,845
Furniture for project/tenant	353,587
Less accumulated depreciation	<u>(1,419,607)</u>
Total property and equipment, net	<u>961,467</u>

Total assets	<u><u>\$ 1,445,542</u></u>
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LIABILITIES

Current liabilities:

Current portion of bonds payable (Note 3)	\$ 150,000
Accounts payable	14,543
Accrued liabilities	3,579
Tenant security deposits	14,955
Total current liabilities	<u>183,077</u>

Long term debt:

Bonds payable, net of current portion (Note 3)	<u>155,000</u>
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Total liabilities	<u>338,077</u>
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NET ASSETS

Invested in capital assets	656,467
Designated in restricted deposits	434,209
Unrestricted	16,789
Total net assets	<u>1,107,465</u>

Total liabilities and net assets	<u><u>\$ 1,445,542</u></u>
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The accompanying notes are an integral part of these financial statements.

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

REVENUES

Rent	\$ 403,243
Financial	21,678
Total revenues	<u>424,921</u>

EXPENSES

Administration	55,372
Utilities	104,682
Operating and maintenance	65,834
Taxes and insurance	65,355
Depreciation	56,321
Interest	27,312
Total expenses	<u>374,876</u>

Change in net assets	50,045
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Net assets at beginning of year	<u>1,057,420</u>
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Net assets at end of year	<u><u>\$ 1,107,465</u></u>
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GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

CASH FLOW FROM OPERATING ACTIVITIES

Rental receipts	\$ 412,608
Interest received	21,678
	<u>434,286</u>
Administrative	(56,844)
Utilities	(104,682)
Operating and maintenance	(65,834)
Taxes and insurance	(65,355)
Tenant deposits held in trust	(7,175)
Interest	(27,312)
	<u>(327,202)</u>
Net cash provided by operating activities	<u>107,084</u>

CASH FLOW FROM INVESTING ACTIVITIES

Net decrease in restriced deposits and funded reserves	40,875
Net cash provided by investing activities	<u>40,875</u>

CASH FLOW FROM FINANCING ACTIVITIES

Principal payments	(140,000)
Net cash (used) by financing activities	<u>(140,000)</u>

Net increase in cash and cash equivalents	7,959
Cash and cash equivalents, beginning of the period	16,832
Cash and cash equivalents, end of the period	<u>\$ 24,791</u>

The accompanying notes are an integral part of these financial statements.

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2008

CASH FLOW FROM OPERATING ACTIVITIES

Change in net assets	\$ 50,045
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	56,321
Decrease (increase) in operating assets	
Accounts receivable	2,190
Cash restricted for tenant security deposits	(64)
Increase (decrease) in operating liabilities	
Accounts payable	1,201
Accrued liabilities	(3,457)
Tenant security deposits	112
Other	736
Net cash provided by operating activities	<u>\$ 107,084</u>

The accompanying notes are an integral part of these financial statements.

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

Entity

The Gladwin Housing Development Corporation - Section 8 Housing Program (the "Corporation") was created and exists under the laws of the State of Michigan. The Corporation is organized to account for the financial activities of the U.S. Department of Housing and Urban Development's (HUD) Project No. MI 28-8023-005 under HAP Contract C 78-559, which is a Multifamily Section 8 New Construction project.

The Corporation was formed as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Service Code to finance the construction of the sixty-unit low-income Housing Project known as Antler Arms. Revenue bonds of \$2,075,000 were issued under section 811 (b) to provide the permanent financing of the Project. The bonds are secured by an Indenture of Trust between the Corporation and Bank of New York Trust Company of Missouri, as Trustee. Revenues from the Project, including Housing Assistance Payments under Contract C 78-559, are pledged to secure the agreement with the Corporation to sublet units in the Project to low income and other qualified individuals under Section 8 of the United States Housing Act of 1937, as amended. Upon extinguishment of the debt or other dissolution of the Project, title to or other interest in any real or personal property owned by the Project will vest in the Gladwin City Housing Commission.

The Corporation is managed by the Gladwin City Housing Commission.

Basis of Accounting

The financial statements of the Project are prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when incurred.

Cash and Investments

The Corporation considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash equivalents.

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Accounts receivable are stated at actual since the Project utilizes the direct write-off method for bad debts. The direct write-off method recognizes a bad debt expense only when a specific account is determined to be uncollectible. The application of this method is not deemed materially different than the allowance method which is prescribed for purposes of U.S. generally accepted accounting principles.

Prepaid Expenses

Prepaid expense and inventory consists of expenditures for operating expenses that benefit future accounting periods.

Tax Status

Gladwin Housing Development Corporation Section 8 Housing Program is a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and no provision for federal or state income tax is made in the accompanying financial statements.

Statement of Cash Flows

For purposes of the statement of cash flows, unrestricted cash includes all highly liquid investments as cash equivalents. There were no non-cash investing or financing activities during the year.

Distributions

Gladwin Housing Development Corporation Section 8 Housing Program's regulatory agreement with HUD stipulates, among other things, that it will not make distributions of assets or income to any of its officers or directors.

Property and Equipment and Depreciation

Property and equipment are stated at cost. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 40 years. Donated capital assets are recorded at estimated fair market value at the date of donation.

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2. RESTRICTED DEPOSITS AND FUNDED RESERVES

The bond indenture requires the Project to maintain an escrow account with the Bank of New York (trustee). The escrow account is for the purpose of funding certain bond reserves by the indenture.

The escrow account and bond reserves, are invested in U.S. Treasury obligations and consist of the following for the year ending June 30, 2008.

	2008
1330- Principal and interest fund	\$ 8,984
1355- Debt service reserve fund	171,666
1310- Insurance and tax escrow fund	11,993
1320- Extraordinary maintenance & replacement fund	104,832
1330- Sinking fund	136,734
1330- Surplus fund	0
	<hr/>
Total	<u>\$ 434,209</u>

The indenture which serves as a first mortgage against the property contains certain restrictions on the use of Project revenue. Dwelling rental income is deposited with the Trustee in the Revenue Fund. All money is then transferred by the Trustee to the following accounts (funds) in order of presentation as cash is available.

1. Principal and Interest Fund
2. Debt Service Reserve Fund
3. Insurance and Tax Escrow Fund
4. Extraordinary Maintenance and Replacement Fund
5. Sinking Fund
6. Surplus Fund
7. Operating Fund

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 2. RESTRICTED DEPOSITS AND FUNDED RESERVES (Continued)

Transfers are made first to the Principal and Interest Fund which is held for the purpose of paying the principal and interest on the bonds. Transfers to the Debt Service Reserve Fund are held for disbursement to the Principal and Interest Fund whenever a deficiency in that Fund would otherwise exist. The Debt Service Reserve Fund must contain at least \$166,976. The Sinking Fund shall be disbursed to pay all principal amounts coming due on the Bonds for the years of 1999 through 2009. The Insurance and Tax Escrow Fund is used to pay the annual insurance and tax expenses. The use of the Extraordinary Maintenance and Replacement Fund requires the approval of the Trustee and is used for extraordinary maintenance, repair, and replacement which may be required at the Project.

The Operating Fund is under the control of the Corporation and its only restriction is the routine expenses of the Project. The Surplus Fund shall receive any monies not required to be transferred to any of the other above funds.

The above balances are invested in U.S. Treasury Obligations under an investment account, which is similar to a money market fund.

NOTE 3. LONG-TERM DEBT

The Gladwin Housing Development Corporation issued revenue bonds to provide the financing for construction of the Project. The bonds are secured by an Indenture of Trust and a first mortgage on the Project. Interest on the bonds is payable semiannually on February 1 and August 1 of each year, at seven and one-quarter percent (7 ¼%) per annum. Principal payments are due on August 1 of each year.

Long-term debt consists of the following at June 30. 2008

Revenue Bonds – to be repaid from tenant rentals and HUD subsidization payments in annual payments ranging From \$20,000 to \$155,000. The bonds bear interest at the Rate of 7.25% and are secured by the project.	\$ 305,000
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GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 3. LONG-TERM DEBT(Continued)

The following is a schedule of bond maturity requirements for the remaining years.

Year Ended June 30	Principal	Interest	Total
2009	\$ 150,000	\$ 16,675	\$ 166,675
2010	155,000	5,619	160,619
Total	<u>\$ 305,000</u>	<u>\$ 22,294</u>	<u>\$ 327,294</u>

NOTE 4. UNRESTRICTED NET ASSETS

None of the Gladwin Housing Development Corporation Section 8 Housing Program's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under SFAS No. 117.

NOTE 5. RENT INCREASES

Under the agreement with HUD, the Corporation may not increase rents charged to tenants without HUD approval.

NOTE 6. PENSION PLAN

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description

The Gladwin City Housing Commission participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible employees of the Gladwin City Housing Commission, through its association with the City of Gladwin. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained by writing to the System at:

Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, Michigan 48917
Or by calling 1-800-767-6377

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 6. PENSION PLAN (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Gladwin City Housing Commission on November 8, 2003, by resolution of the Board. The plan requires a 3% contribution by the employees to the System. The Housing Commission is required to contribute based on an actuarially determined rate.

Annual Pension Costs

For year ended June 30, 2008, the Housing Commission's annual pension cost of \$113,940 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age normal actuarial cost method. Significant actuarial assumptions used include, (1) an 8.0% investment rate of return, (2) projected salary increases of 4.5% per year, and (3) 4.5% per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four year period.

The following three year trend information as of December 31, 2007 is for the entire Gladwin City Housing Commission.

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 112,718	\$ 112,408	\$ 113,940
Percentage of APC contributed	100%	100%	100%
Net pension obligation	0	0	0
Actuarial value of assets	878,150	1,063,688	1,162,829
Actuarial accrued liability	2,010,435	2,262,731	2,542,524
Unfunded AAL	1,132,285	1,199,043	1,273,611
Funded ratio	44%	47%	55%
Covered payroll	705,810	661,221	712,341
UAAL as a percentage of covered payroll	160%	181%	179%

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 7. PROPERTY AND LIABILITY INSURANCE

The Gladwin City Housing Commission is a member of the Housing Authority Risk Retention Group (HARRG), Housing Authority Property Insurance Group (HAPI), and the Housing Insurance Services (HIS); which are subsidiaries of the parent company Housing Authority Insurance (HAI). HARRG, HAPI and HIS, are public entity risk pools. The Housing Commission names the Corporation as an additional insured member on the policy. Public entity risk pools are cooperative groups of governmental entities joining together to finance an exposure, liability, or risk. Liability insurance is provided to the Housing Commission by HARRG, property insurance is provided by HAPI and auto insurance is provided by HIS. More specifically, HARRG is classified as a risk sharing pool, which is an arrangement by which governments pool risks and funds and share in the cost of the losses. HAPI is an insurance purchasing pool, which is an arrangement by which governments pool funds or resources to purchase commercial insurance products. HAPI buys property and casualty insurance from the Travelers Indemnity Company who reinsures the coverage's with the American Reinsurance Company.

To become a part of HAPI, HARRG and HIS, the Housing Commission was required to make an initial surplus contribution. Premiums are then paid to the pools throughout the year to remain a member. Additional surplus contributions may be required by the pools in order to maintain adequate surplus to premium ratios for each member. HAPI, HARRG and HIS keep records of surplus accounts for each member.

These accounts include initial and additional surplus contributions plus any dividends declared or paid to the member and any other adjustments for earnings and losses based upon a member's underwriting experience. Upon withdrawal, the Housing Commission would be entitled to receive total surplus contributions paid in over a five year period or to leave its surplus account with the pools and share in all allocations as if it were still a member.

NOTE 8. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of state or federal legislature or an administrative change by HUD. Such changes may occur with little or inadequate funding to pay for the related costs, including additional administrative burden, to comply with a change.

SUPPLEMENTARY INFORMATION

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
STATEMENT OF FINANCIAL POSITION
June 30, 2008

Account No.			
	ASSETS		
	<u>Current assets:</u>		
1120	Cash and cash equivalents	\$ 24,791	
1140	Accounts receivable	525	
1140	Accounts receivable - Other	6,130	
1180	Inventory	941	
1100T	Total current assets		\$ 32,387
	<u>Deposits Held in Trust - Funded</u>		
1191	Tenant security deposits		15,134
	<u>HUD Restricted Deposits and Funded Reserves</u>		
1320	Restricted deposits and funded reserves		434,209
	<u>Other Assets</u>		
1515	Investment in Beaverton Manor		2,345
	<u>Property and Equipment - At Cost</u>		
1410	Land	114,374	
1420	Building	1,899,268	
1420	Modernization	13,845	
1450	Furniture for project/tenant	353,587	
1400T	Total fixed assets - at cost	2,381,074	
1495	Less accumulated depreciation	(1,419,607)	961,467
			<u>\$ 1,445,542</u>
	LIABILITIES		
	<u>Current Liabilities</u>		
2110	Accounts payable	\$ 14,543	
	Capital fund deferred revenue		
2170	Current maturities of long-term debt	150,000	
2190	Accrued liabilities	3,579	
2122T	Total current liabilities		\$ 168,122
	<u>Deposits</u>		
2191	Tenant security deposits		14,955
	<u>Long-term Debt</u>		
2320	Bonds payable	305,000	
	Less current maturities	150,000	155,000
3130	Net assets		1,107,465
			<u>\$ 1,445,542</u>

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

**Account
No.**

REVENUES

RENT

5120	Rent revenue	\$ 201,481
5121	Tenant assistance payments	205,123
5193	Special claims revenue	3,814
5100T	Total rent revenue	<u>410,418</u>

VACANCIES

5220	Vacancies - apartments	7,175
5152N	Total rental revenue	<u>403,243</u>

FINANCIAL

5410	Financial revenue - project operations	829
5490	Revenue from investments	20,849
5400T	Total financial revenue	<u>21,678</u>
5000T	Total revenues	<u>424,921</u>

EXPENSES

ADMINISTRATIVE

6310	Office salaries	30,834
6311	Office expenses	14,180
6351	Accounting fees	3,700
6390	Miscellaneous administrative fees	6,658
6263T	Total administrative expenses	<u>55,372</u>

UTILITIES

6450	Electricity	37,194
6451	Water	19,968
6452	Gas	47,520
6400T	Total utilities expense	<u>104,682</u>

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

OPERATING AND MAINTENANCE

6510	Payroll	\$ 36,964
6515	Supplies	11,652
6520	Contracts	17,218
6500T	Total operating and maintenance	<u>65,834</u>

TAXES AND INSURANCE

6720	Property and liability insurance	27,001
6723	Health insurance and other employee benefits	38,354
6700T	Total taxes and insurance	<u>65,355</u>

FINANCIAL

6820	Interest	27,312
6800T	Total financial	<u>27,312</u>
6000T	Total expenses before depreciation	<u>318,555</u>
5060T	Change in net assets before depreciation	106,366
6600	Depreciation	<u>56,321</u>
3250	Change in net assets	<u>50,045</u>
S1100-050	Total net assets - beginning	1,057,420
3130	Total net assets - ending	<u><u>\$ 1,107,465</u></u>
S1000-010	Total mortgage principal payments required during the year	\$ 140,000
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	\$ 10,404
S1000-030	Replacement reserve or residual receipts releases which are included as expense items on this profit and loss statement	\$ 51,308
S1000-040	Project improvement reserve releases under the flexible susidy program that are included as expense items on this profit and loss statement	\$ -

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

<u>Account No.</u>			
CASH FLOW FROM OPERATING ACTIVITIES			
S1200-010	Rental receipts	\$ 412,608	
S1200-020	Interest received	21,678	\$ 434,286
S1200-050	Administrative	(56,844)	
S1200-090	Utilities	(104,682)	
S1200-110	Operating and maintenance expense	(65,834)	
S1200-150	Taxes and insurance	(65,355)	
S1200-160	Tenant deposits held in trust	(7,175)	
S1200-180	Interest	(27,312)	(327,202)
S1200-240	Net cash provided by operating activities		107,084
CASH FLOW FROM INVESTING ACTIVITIES			
S1200-255	Net decrease in restricted deposits and funded reserves		40,875
	Net cash provided by investing activities		40,875
CASH FLOW FROM FINANCING ACTIVITIES			
S1200-360	Principal payments		(140,000)
S1200-460	Net cash (used) by financing activities		(140,000)
S1200-470	Net increase (decrease) in cash and cash equivalents		7,959
S1200-480	Cash and cash equivalents, beginning of the period		16,832
S1200T	Cash and cash equivalents, end of the period		\$ 24,791
CASH FLOW FROM OPERATING ACTIVITIES			
3250	Change in net assets		\$ 50,045
	Adjustments to reconcile net loss to net cash provided by operating activities		
6600	Depreciation expense		56,321
	Changes in operating assets and liabilities:		
S1200-500	Accounts receivable		2,190
S1200-530	Cash restricted for tenant security deposits		(64)
S1200-540	Accounts payable		1,201
S1200-560	Accrued expenses		(3,457)
S1200-580	Tenant security deposits		112
S1200-600	Other		736
S1200-610	Net cash provided by operating activities		\$ 107,084

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
SUPPLEMENTARY DATA REQUIRED BY HUD
For the Year Ended June 30, 2008

COMPUTATION OF SURPLUS CASH - ANNUAL

Cash	\$ -
Current obligations:	
Accounts payable due within 30 days	14,543
Accrued wages	3,579
Tenant security deposits	14,955
	<u>33,077</u>
Surplus Cash (deficiency)	<u><u>\$ (33,077)</u></u>

EXTRAORDINARY MAINTENANCE AND REPLACEMENT FUND

Beginning balance	\$ 142,632
Required monthly deposits	10,404
Interest income	3,104
	<u>156,140</u>
Approved withdrawals	<u>(51,308)</u>
Ending balance	<u><u>\$ 104,832</u></u>

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
SUPPLEMENTARY DATA REQUIRED BY HUD
For the Year Ended June 30, 2008

SCHEDULE OF CHANGES IN FIXED ASSETS

	Assets			
	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2008</u>
Land	\$ 114,374	\$ -	\$ -	\$ 114,374
Building	1,899,268	-	-	1,899,268
Furniture and equipment	13,845	-	-	13,845
Modernization	<u>353,587</u>	<u>-</u>	<u>-</u>	<u>353,587</u>
Total	<u>\$ 2,381,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,381,074</u>
Accumulated depreciation	<u>\$ 1,363,285</u>	<u>\$ 56,322</u>	<u>\$ -</u>	<u>\$ 1,419,607</u>
Net book value				<u>\$ 961,467</u>

GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005
SUPPLEMENTARY DATA REQUIRED BY HUD
June 30, 2008

DEBT SERVICE RESERVE FUND

In accordance with mortgage indenture:

Minimum requirement per indenture	\$ 166,976
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Total confirmed by mortgagee	\$ 171,666
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SINKING FUND

Maintain reserve with monthly transfers of 1/12 of next

Principal payment:

8/1/08 principal of \$150,000 X 11/12 =	\$ 137,500
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Total confirmed by mortgagee	\$ 136,734
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INSURANCE AND TAX ESCROW FUND

Maintain a reserve of 1/12 of 110% of budgeted for annual premiums	\$ 13,750
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Total confirmed by mortgagee	\$ 13,750
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EXTRAORDINARY MAINTENANCE AND REPLACEMENT FUND

Maintain a reserve at 2 1/2% of contract rents:

Fair market value rent	\$ 578
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Times number of units	X 60
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	34,680
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Times twelve months	X 12
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	416,160
--	---------

Times 2 1/2%	X 2 1/2%
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	\$ 10,404
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Total confirmed by mortgagee	\$ 104,832
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PRINCIPAL AND INTEREST FUND

Maintain reserve with monthly transfers of 1/6 of next

interest payment and 1/12 of next principal payment:

8/1/0 interest of \$11,056 X 5/6 =	9,213
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8/1/07 principal of \$150,000 X 11/12 =	137,500
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	\$ 146,713
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Total confirmed by mortgagee	\$ 8,983
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GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROJECT
HUD PROJECT NO. MI 28-8023-005
SUMMARY OF ESCROW ACCOUNT ACTIVITY
For the Year Ended June 30, 2008

	Revenue Fund	Principal and Interest Fund	Debt Service Reserve Fund	Insurance and Tax Escrow Fund	Extraordinary Maintenance and Replacement Fund	Sinking Fund	Surplus Fund	Total
Balance - July 1, 2007	\$ -	\$ 13,696	\$ 172,263	\$ 11,351	\$ 142,632	\$ 128,333	\$ 6,808	\$ 475,083
<u>Additions (Deductions)</u>								
Interest Income	74	240	4,837	109	3,104	1,509	106	9,979
Tenant rentals	201,482	-	-	-	-	-	-	201,482
Housing assistance Payments	205,123	-	-	-	-	-	-	205,123
Trustee fees	(4)	(487)	(585)	(34)	(410)	(282)	(3,291)	(5,094)
Payment to GCHC	(198,791)	-	-	-	(47,652)	-	(1,372)	(247,815)
Bond principal and interest	-	(27,208)	-	-	-	(140,000)	-	(167,208)
Payments for utilities	-	-	-	-	-	-	(7,593)	(7,593)
Payments for insurance	-	-	-	(27,001)	-	-	(2,748)	(29,749)
Transfers between funds:								
From Revenue to								
Principal and Interest	(22,958)	22,958	-	-	-	-	-	-
From Debt Service to Surplus	-	-	(4,849)	-	-	-	4,849	-
From Principal and Interest to Surplus	-	(216)	-	-	-	-	216	-
From Maintenance to Surplus	-	-	-	-	-	-	-	-
From Surplus to Revenue	-	-	-	-	-	-	-	-
From Surplus to Maintenance	-	-	-	-	(3,245)	-	3,245	-
From Insurance and Tax to Surplus	-	-	-	2,145	-	-	(2,145)	-
From Revenue to Insurance and Tax	(25,422)	-	-	25,422	-	-	-	-
From Revenue to Surplus	68	-	-	-	-	-	(68)	-
From Sinking to Surplus	-	-	-	-	-	(1,993)	1,993	-
From Revenue to Maintenance	(10,404)	-	-	-	10,404	-	-	-
From Revenue to Sinking	(149,167)	-	-	-	-	149,167	-	-
Balance - June 30, 2008	\$ 0	\$ 8,983	\$ 171,666	\$ 11,993	\$ 104,832	\$ 136,734	\$ 0	\$ 434,209

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Gladwin Housing Development Corporation
Section 8 Housing Program
HUD Project NO. MI 28-8023-005
Gladwin, Michigan

We have audited the financial statements of Gladwin Housing Development Corporation Section 8 Housing Program as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gladwin Housing Development Corporation Section 8 Housing Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gladwin Housing Development Corporation Section 8 Housing Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gladwin Housing Development Corporation Section 8 Housing Program's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Gladwin County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gladwin Housing Development Corporation Section 8 Housing Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, Gladwin Housing Development Corporation Section 8 Housing Program's, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Burnside & Lang, P.C.", is written in dark ink.

Burnside & Lang, P.C.
Midland, Michigan
December 15, 2008

**GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005**

CERTIFICATION OF OFFICERS

We hereby certify that we have examined the accompanying financial statements and supplemental data of Gladwin Housing Development Corporation Section 8 Housing Program and to the best of my knowledge and belief, the same is complete and accurate.

Rudy Bolz
President

Tom Mienk
Vice-President

Date

Date

**GLADWIN HOUSING DEVELOPMENT CORPORATION
SECTION 8 HOUSING PROGRAM
HUD PROJECT NO. MI 28-8023-005**

MANAGEMENT AGENT’S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental data of Gladwin Housing Development Corporation Section 8 Housing Program and to the best of my knowledge and belief, the same is complete and accurate.

Lauren M. Essenmacher
Executive Director
Gladwin City Housing Commission